

Service Date: December 7, 1978

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * *

IN THE MATTER of the Application)
of the TOWN OF FROMBERG for au-)
thority to Increase Water Rates.)

DOCKET NO. 6592
TEMPORARY ORDER NO. 4466

BEFORE: THOMAS J. SCHNEIDER, Commissioner and Hearing Examiner

APPEARANCES

FOR THE APPLICANT:

JOSEPH E. MUDD, Esquire, Attorney at Law, Box 471, Bridger, Montana, 59014,
appearing on behalf of the Applicant.

FOR THE PROTESTANT:

GEOFFREY L. BRAIZER, Attorney, 34 West Sixth Avenue, Helena, Montana 59601.
The Montana Consumer Counsel.

FOR THE COMMISSION:

EILEEN E. SHORE, Staff Attorney

JAMES P. DWYER, Rate Analyst

FRANK E. BUCKLEY, Administrator, Utility Division

APPLICATION AND PROCEEDINGS

- 1). On June 29, 1978 the Town of Fromberg, Montana filed an application to increase water rates.
- 2). On July 17, 1978 a Notice of Proposed Public Hearing was published in several area media outlets.
- 3). A corrected Notice of Proposed Public Hearing was published on July 19, 1978.

- 4). A protest and request for public hearing was received on July 31, 1978.
- 5). On August 2, 1978 the Montana Consumer Counsel filed a protest and request for public hearing on behalf of a water consumer of the Fromberg Water Department.
- 6). On August 9, 1978 a Notice of Public Hearing, which set this hearing for September 7, 1978 in Fromberg, was published.
- 7). On August 10, 1978 Public Service Commission staff issued data requests.
- 8). On August 21, 1978 Montana Consumer Counsel issued data requests.
- 9). On August 29, 1978 partial answers to the data requests were received.
- 10). During the hearing Montana Consumer Counsel requested late filed exhibits.
- 11). Town of Fromberg supplied late filed exhibits on October 14, 1978.
- 12). On November 3, 1978 the Public Service Commission received a request for interim relief.
- 13). On November 2 and 3, 1978 Commission staff conducted an examination of the accounts of the Town of Fromberg Water Department.

FINDINGS OF FACT

1. Test Year

The Applicant was unable to produce adequate test year data. Therefore MCC requested late filed exhibits. These exhibits were filed but still did not produce a completely accurate test year. Therefore, the Commission, in accord with a request of MCC, performed an examination of the accounts of the Applicant. As a result of this examination the Commission finds the following test year:

	<u>FY78</u>		<u>Known & Measurable Changes</u>	<u>TY</u>
Revenues	\$15,020	(a.)	3755	\$18,775
Expenses	(\$12,670)	(b.)	855	(\$13,525)
Debt Service	<u>(\$ 2,340)</u>	(c.)	2785	<u>(\$ 5,125)</u>
Net Income	<u>\$ 10</u>			<u>\$ 125</u>

(a.) Finding of Fact #2 (b.) Finding of Fact #3 (c.) Finding of Fact #4

2. Revenues

The Applicant requested a \$3,800 rate increase calculated as follows:

Out of Town	\$ 300.00
In Town	\$2,940.00
Commercial	<u>\$ 560.00</u>
	\$3,800.00

The Commission finds that a 25% across the board increase would produce the following revenues:

FY78 Revenue	\$15,020
% Increase	<u>x .25</u>
Revenue Increase	<u>\$ 3,755</u>

3. Expenses

During the conduct of this hearing several questions were raised with respect to allocation of expense items. An examination of the accounts of the Applicant did indeed substantiate that an underallocation of expenses had been occurring. Accordingly the Commission finds the following adjustment to expense is reasonable:

Legal Retainer	\$250
Telephone	\$ 75
Dues	\$ 20
Gasoline & Oil	\$300
Salaries	<u>\$210</u>
Total Underallocation	<u>\$855</u>

4. Future Debt Service

The Applicant has proposed to finance this major capital improvement program with a \$20,000 bond issue at 7% interest. The Clark's Fork National Bank of Fromberg has already submitted bid to purchase this amount of bonds at the stated interest. The Commission finds that the calculation of Future Debt Service is as follows:

Principal	\$2,000
Interest	<u>\$1,400</u>
Total	\$3,400
Present Debt Service	<u>\$1,725</u>
Total Future Debt Service	<u>\$5,125</u>

Present debt service was calculated as follows:

FY 1978	Principal	\$1,500
	Interest	\$ 360
FY 1979	Principal	\$1,500
	Interest	\$ 270
FY 1980	Principal	\$1,500
	Interest	\$ 180
FY 1981	Principal	\$1,500
	Interest	\$ 90
Average Principal per year		\$1,500
Average Interest per year		<u>\$ 225</u>
		<u>\$1,725</u>

5. Discussion

The proposed revenue bond issuance was presented for a public election to the consumers of this water utility. The consumers overwhelmingly approved the project by a vote of 126-6.

At the present time this Commission has proposed a procedural rule for interim relief. In keeping with the model of this rule this interim order has not been issued until after a public hearing was held.

Applicant presented this Commission with a request for interim relief based on their ability to let a contract for dragline work at \$30 per hour. Recognizing the effort of the water utility to achieve a major endeavor at a maximum efficiency and minimum cost, was the major reason for the implementation of this interim relief.

CONCLUSIONS OF LAW

1. The Public Service Commission has jurisdiction over parties and proceedings in this matter.

2. The resulting rate levels are reasonable and just.

ORDER

1. A 25% across the board rate increase is hereby ordered.
2. All rates and charges herein specified are subject to rebate plus interest of 6% pending the final order.

Approved tariffs will be effective on and after December 1, 1978.

DONE IN OPEN SESSION, at Helena, Montana, this 26th day of November, 1978 by a 3
- 0 vote.

BY ORDER OF THE PUBLIC SERVICE COMMISSION.

Thomas J. Schneider, Commissioner

Gordon E. Bollinger, Chairman

George Turman, Commissioner

ATTEST:

Madeline L. Cottrill
Secretary

(SEAL)

NOTICE: You are entitled to judicial review of the final decision in this matter. If no Motion For Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this Order. If a Motion For Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. The Montana Administrative Procedure Act, esp. Section 82-4216, RCM 1947; and Commission Rules of Practice and Procedure, esp. 38-2.2 (64)-P2750, ARM.